



LARRY HOGAN
GOVERNOR

STATE OF MARYLAND
OFFICE OF THE GOVERNOR

June 29, 2016

The Honorable Norman C. Bay
Chairman
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Dear Chairman Bay:

I am writing to urge the Federal Energy Regulatory Commission (FERC) to consider alternatives to the current PJM plan that will unfairly force Maryland and Delaware electric customers to pay 90% of the cost for transmission lines that will deliver very little benefit to residents of the Delmarva Zone. Specifically, I am asking FERC to reconsider its denial of the joint Maryland and Delaware Public Service Commission Complaint in Docket No. EL15-95-000 during the Commission's rehearing of the Complaint. On behalf of ratepayers in the State of Maryland and the Delmarva Zone, I am urging the Commission to find that the solution-based DFAX methodology used by PJM Interconnection is not an appropriate approach for the Artificial Island Project. Further, FERC should require PJM tariff changes to align Artificial Island costs with the benefits to the users that PJM calculated.

The application of the solution-based DFAX methodology to the Artificial Island Project produces an outcome that is both unreasonable and inequitable for Maryland ratepayers. It assesses over 90 percent of the project cost to Delmarva Zone customers, even though those customers will only receive approximately 10 percent of the project's benefit. The estimated in-service project costs that will be unduly borne by Delmarva Zone customers are expected to be about \$350 million, and as a result, the average residential and commercial customer will pay significantly higher rates. Put simply, this plan isn't right and isn't fair.

Both the Commission and federal appellate courts reviewing decisions on cost allocation matters have stated that costs may be allocated to end-user customers only in amounts which roughly align with the benefits received from the transmission facilities constructed. Imposing 90 percent of this cost upon the limited load of the Delmarva Zone and only 10 percent on regional or system-wide end-users is thus neither equitable nor in accordance with the established cost allocation practices.

The State of Maryland and the State of Delaware have a joint position to request correction of the interpretation of the proposed principles and potential cost allocation rules.

Thank you for considering the interests of Maryland and Delaware ratepayers as you evaluate whether the solution-based DFAX methodology is an appropriate cost allocation for this project.

Sincerely,

Larry Hogan
Governor

cc: The Honorable Jack A. Markell, Governor, State of Delaware
The Honorable Cheryl A. LaFleur, Federal Energy Regulatory Commission
The Honorable Tony Clark, Federal Energy Regulatory Commission
The Honorable Colette D. Honorable, Federal Energy Regulatory Commission
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